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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/13/06

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3) Prime Minister's Official Residence (Kantei)
Prime Minister's schedule, June 12

NIHON KEIZAI (Page 2) (Full)
June 13, 2006

10:16Met with Deputy Chief Cabinet Secretary Nagase at the Prime Minister's Official Residence (Kantei).

12:05Liaison Council meeting between the government and the ruling camp.

13:00Meeting of the Lower House Committee on Audit and Oversight of Administration.

15:03Arrived at Kantei.

16:00Met with Finance Minister Tanigaki and Budget Bureau

Director General Fujii.

17:02LDP executive meeting in the Diet building

17:40Met with Defense Agency Director General Nukaga at Kantei.

Deputy Chief Cabinet Secretary Futahashi was present.

19:00Met with New Komeito Head Kanzaki and Upper House LDP Caucus Chairman Aoki. Chief Cabinet Secretary Abe joined.

4) Koizumi orders local talks over USFJ realignment

ASAHI (Page 4) (Full)

June 13, 2006

Prime Minister Koizumi met Defense Agency Director General Nukaga at his office yesterday and told the defense chief to consult well with local communities on the planned relocation of the US Marine Corps' Futenma Air Station in the city of Ginowan, Okinawa Prefecture, to the cape of Henoko in the northern coastal city of Nago in the island prefecture. Japan and the United States have reached an agreement to relocate Futenma airfield in the process of realigning the US military presence in Japan. Koizumi has also told Nukaga to obtain a local consensus for Futenma relocation.

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Koizumi was replying to Nukaga's report of petitions from the mayors of 12 municipalities in the northern part of Okinawa Prefecture. Nukaga, prior to his meeting with Koizumi, met with Nago Mayor Yoshikazu Shimabukuro and other local mayors. In that meeting Nukaga was asked to set up a consultative body with Okinawa Prefecture and its base-hosting localities at an early date. This consultative body was incorporated in a cabinet decision made in May. Abe also met with Shimabukuro and others yesterday. In the meeting, the mayors asked Abe to continue an economic stimulus package for Okinawa's northern localities. The package was based on a cabinet decision of 1999, but the government has repealed it in its cabinet decision made this time. "The government will set up a consultative body with Okinawa Prefecture and local public entities to consult well on local development," Abe also promised to consider the request.

The government has decided to launch the consultative body in order to hold talks with Okinawa Prefecture and its municipalities about an alternative construction plan, safety and environmental protection, and local development.

However, Okinawa Governor Keiichi Inamine has indicated that the Okinawa prefectural government would not participate in the consultative body as long as it is premised on the government's policy of implementing its plan. "We won't participate in that consultative body if that is to talk about the government's plan only," Inamine has said. The government therefore cannot expect when to set it up.

5) Aso briefs Rice on talks with Iran

ASAHI (Page 4) (Full)

June 13, 2006

Foreign Minister Aso called US Secretary of State Rice yesterday evening to talk about Iran's nuclear program. Aso told Rice that Japan has worked on Iran to accept a package of incentives proposed by six countries including the United States and European countries. Aso also told her that Japan would consult closely with the United States. Rice said the United States would like to strengthen cooperation, with Prime Minister Koizumi scheduled to visit the United States late this month.

Aso held telephone talks with Iranian Foreign Minister Mottaki on June 6 and met with Iranian Vice Foreign Minister Araqchi in Japan on June 9. Mottaki has explained that Iran would seriously consider the proposal. Aso appears to have told Rice about such a response from Iran and the two talked about how to deal with Iran.

6) Prime Minister Koizumi: Japan-China summit should be realized with no conditions

SANKEI (Page 5) (Full)
June 13, 2006

Asked by reporters last night about Chinese President Hu Jintao's remark that he would like to visit Japan if the circumstances are improved, Prime Minister Junichiro Koizumi replied:

"Japan is always open. We are ready anytime even conditions are not met. If we have different views on a single issue, Japan will

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hold talks anytime because China is important for us."

He urged the Chinese side to respond to his offer to resume the summit program.

When asked about a possible meeting with the Chinese leader during his tenure as prime minister, Koizumi responded: "Japan will not ask for any conditions. That depends on the Chinese side."

7) Gov't to step up watch for indirect trade with North Korea

NIHON KEIZAI (Page 2) (Full)
June 13, 2006

Chief Cabinet Secretary Shinzo Abe instructed government ministries and agencies yesterday to look into facts about indirect trade between Japan and North Korea via third countries and step up Japan's oversight of such trade in order to strengthen Japan's pressure on North Korea. The amount of trade between Japan and North Korea has decreased. However, the government presumes that there has been an increase in the amount of illegal trade via third countries, such as Thailand. The government is aiming to tighten its economic control through strict law enforcement.

According to the Finance Ministry, the total amount of trade between Japan and North Korea reached 21.4 billion yen in 2005, broken down into imports amounting to 14.5 billion yen and exports amounting to 6.9 billion yen. The total amount of trade between the two countries dropped to below half the level in 2002. It further decreased to 6.1 billion yen in the January-April quarter of this year. This is believed to reflect the government's enhanced measures, such as controlling exports against military diversion and conducting stricter vessel safety checkups.

The government surmises that illegal trade between Japan and North Korea is probably via Thailand and China, which have shown an increase in the amount of their trade with North Korea. The Ministry of Economy, Trade and Industry will watch out for illegal trade in a stricter way.

In 2003, a Tokyo-based trading house was found to have attempted to illegally export military convertible equipment to North Korea via Thailand. Japan's enhanced oversight of trade is also aimed for North Korea's concessions on bilateral issues, such as the problem of Japanese abductees. However, it could incur North Korea's backlash.

8) LDP's Yamasaki mulling a visit to North Korea in late June

SANKEI (Page 5) (Full)
June 13, 2006

It was learned yesterday that Taku Yamasaki, former vice president of the Liberal Democratic Party (LDP), was looking into the possibility of visiting North Korea late this month. According to several informed sources, former Defense Agency chief Gen Nakatani, a member of the Tanigaki faction in the LDP, and House of Representatives members Kisaburo Tokai and Masaaki Taira, members of the Yamasaki faction, will likely accompany

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Yamasaki. They are expected to visit the North for about three days from June 20, following their planned visit to South Korea. The group is expected to visit Kaesong and other places in North Korea. Coordination is now underway. Yamasaki's office, however, said, "(A visit to North Korea) has yet to be decided."

9) North Korean human rights bill to pass through Lower House today, despite opposition of JCP, SDP

TOKYO SHIMBUN (Page 2) (Full)
June 13, 2006

The Lower House Special Committee on the Abduction Issue, chaired by Katsuei Hirasawa, adopted a plan yesterday afternoon to submit to the Diet a North Korean human rights bill urging the government to impose economic sanctions on North Korea in connection with the abduction issue, with a majority vote of the Liberal Democratic Party, Minshuto (Democratic Party of Japan), and the New Komeito. The Japanese Communist Party and the Social Democratic Party opposed the step. The bill is now likely to clear the Lower House today and then sent to the Upper House to be enacted in the ongoing Diet session.

Draft bills mapped out separately by the ruling coalition and Minshuto have been integrated into the single bill.

10) No progress on Japan-ROK EEZ demarcation talks; Japan insists on putting aside Takeshima issue

YOMIURI (Page 2) (Full)
June 13, 2006

The Japanese and South Korean governments yesterday held negotiations aimed at demarcating their exclusive economic zones (EEZs) at Japan's Ministry of Foreign Affairs (MOFA). But the talks failed to narrow the gap as both sides insisted that Takeshima/Dokdo should be used as a base point of their respective EEZs. The talks will continue today.

So far EEZ talks have been held four times during a period from 1996 through 2000, and they have been suspended until recently, but they have now been resumed after an interval of six years. Participating in the talks from Japan were Ichiro Komatsu, director-general of MOFA's International Legal Affairs Bureau, and other officials from the Fisheries Agency and the Japan Coast Guard. Participants from South Korea included Park Hee Kwon, director-general of the Treaties Bureau of South Korea's Ministry of Foreign Affairs and Trade and other officials from the Ministry of Maritime & Fisheries.

The talks yesterday lasted for six hours. Japanese negotiators cited the agreement reached in 1996 between then Prime Minister Hashimoto and then President Kim Yong Sam to promote EEZ talks by separating the sovereignty issue involving Takeshima/Dokdo islets and urged their South Korean counterparts to separate the Takeshima issue from EEZ negotiations, saying: "We are ready to make our maximum effort for substantial progress. We hope the South Korean negotiators will engage in the negotiations in a similar manner."

In addition, Japan expressed concern about South Korea's planned marine survey in July within Japan's EEZ waters near Takeshima

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and proposed establishing a prior notification system for both sides to inform the other side of their respective marine surveys if they are carried out in the waters where the border of their EEZs has not yet been determined.

In response to these assertions, South Korean negotiators did not deny the existence itself of the top-level agreement. But turning around from their previous position of drawing a border between Ullungdo and Okinoshima islets with Ullungdo as a base point, they strongly insisted on using Takeshima as the base point. They did not come up with a clear response to Japan's proposal on a

prior notification system.

11) Government to extend assistance to Japanese emigrants to Dominica, with ODA to local association in mind

SANKEI (Page 2) (Excerpts)
June 13, 2006

The government as of yesterday began discussions at Prime Minister Junichiro Koizumi's order to study additional assistance measures for Japanese emigrants to the Dominican Republic. This move has come, reflecting the Tokyo District Court's recent recognition of the government's responsibility for compensation in the suit over the government's campaign for emigration to the Dominican Republic. Aid plans now being considered include financial assistance to local Japanese associations through the Grass-roots Aid under official development assistance (ODA).

In the past the government has disbursed 10 million yen as grant aid cooperation for the construction of a community center for emigrants. As for aid this time, the government intends to listen first to emigrants' requests and decide on additional assistance measures. The government intends to implement considerate, detailed measures, such as an offer of Japanese language education through volunteers from the Japan International Cooperation Agency.

12) Delay in selection of companies for emergency aid to Tsunami-hit region called into question in a Foreign Ministry-chosen third party's assessment

YOMIURI (Page 1) (Full)
June 13, 2006

Consultants who have been entrusted by the Ministry of Foreign Affairs (MOFA) to make an interim assessment of the Japan International Cooperation System's (JICS) way of rebidding for the road repair work planned as part of an emergency aid project for Indonesia hit by the Indian Ocean Tsunami had pointed out that "local residents have become increasingly irritated at the lack of progress in the repair work because of the delay in selecting construction companies," according to information obtained by the Yomiuri Shimbun. It was also found that the Indonesian government, when questioned by those consultants, expressed doubts on the lack of transparency of the JICS's way of selecting construction companies by bidding, as well as its capability to select such firms. MOFA's responsibility for recommending the JICS to Indonesia is likely to be called into question.

As emergency aid to the regions stricken by the Indian Ocean

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Tsunami, Japan from its official development assistance (ODA)

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budget has offered 14.6 billion yen in grant aid to Indonesia, 8 billion yen to Sri Lanka, and 2 billion yen to Moldova. Last December, one year after the occurrence of the disaster, MOFA entrusted 10 consultants from a third-party organization to assess Japan's relief efforts so that Japan can make good use of such an assessment for future relief efforts and worked out an interim assessment report.

The report takes issue with the repair work, noting that the causes of the delay lie in the bidding process, for instance, rebidding. In extending emergency aid, it is important to 'implement aid without delay.' Local communities have been irritated at the delay in the repair work." Indonesia's Ministry of Public Works told the consultants when it was interviewed by them as part of their survey for an interim assessment: "JICS has a lack of experience in selecting firms relating to construction works."

The JICS rebutted: "The criticism that we lack experience is not correct because we have selected construction companies for other

reconstruction assistance to other countries, such as Iraq." MOFA made this comment: "We take advice from a third party sincerely and use it for our future action."

13) Kan-Koizumi debate ends with Yasukuni issue

ASAHI (Page 4) (Full)
June 13, 2006

In yesterday's meeting of the Lower House Committee on Audit and Oversight of Administration, Minshuto (Democratic Party of Japan) Acting President Naoto Kan took the floor as a questioner for the last time to Prime Minister Junichiro Koizumi, who is to step down from the post in September. The two, who have exchanged verbal jabs numerous times at the Diet, again sparred over the Yasukuni Shrine issue and other matters yesterday. In response to Kan's pursuit, Koizumi rebutted, "I still don't understand why he has to criticize me."

Kan and Koizumi have had over 20 one-on-one debates, including party-head debates. In January 2003, Koizumi referred to his failure to keep an LDP presidential campaign pledge as "not a big deal," causing a stir.

Yesterday, Kan challenged Kan, saying: "It was the Prime Minister Koizumi himself that made Yasukuni into a campaign issue for the 2001 general election, as you said, 'I will visit the shrine on August 15.'"

In response, Koizumi reiterated his stock argument:

"I have never made it a campaign issue. The media did. Paying homage at the shrine is a matter of the heart."

After the debate, Kan note about Koizumi:

"It was regrettable that he repeatedly obscured contentious points. He once said that breaking a promise was not a big deal. I think that's how he really feels."

14) Kan raises questions on Yasukuni: Abe - Matter must not be

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turned into a political issue; Aso - State must deal with it properly; Tanigaki - Strategic ambiguity necessary; Yosano - Shrine must make decision voluntarily

MAINICHI (Page 2) (Full)
June 13, 2006

In yesterday's meeting of the Lower House Committee on Audit and Oversight of Administration, Chief Cabinet Secretary Shinzo Abe, Foreign Minister Taro Aso, Finance Minister Sadakazu Tanigaki, and Economic and Fiscal Policy Minister Kaoru Yosano answered questions from Minshuto (Democratic Party of Japan) Acting President Naoto Kan regarding visits to Yasukuni Shrine. Abe, Aso, and Tanigaki are post-Koizumi contenders.

Touching on Abe's speech in the United States in May of last year in which he said, "Anyone succeeding Prime Minister Koizumi should visit Yasukuni Shrine," Kan asked Abe, "Has your view changed?" In response, Abe said:

"I want to keep expressing my gratitude and respect for those who died fighting for their country in offering my sincerest prayers to them. China has now turned the matter into a diplomatic issue. It should not be made into a diplomatic or political issue."

Abe stopped short of indicating whether he would visit the shrine if he became prime minister.

Aso said:

"The war dead are now enshrined at a facility controlled by one religious organization, and whenever a problem arises, some say that politics should stay away from the matter concerning the

religious organization. The state should deal with the matter properly."

Aso against suggested his view that the government should consider removing Class-A war criminals from Yasukuni Shrine with the option of turning the shrine in to a non-religious organization in mind.

Tanigaki commented:

"The government should not say, 'We will do such and such because of views overseas.' Instead, Japan must make a decision independently. I call it strategic ambiguity."

Yosano expressed hope for Yasukuni's voluntary decision to remove Class-A war criminals, saying: "I would like to the shrine make a decision voluntarily."

15) Minshuto Secretary General Hatoyama urges Koichi Kato to leave LDP

NIHON KEIZAI (Page 2) (Full)
June 13, 2006

Yukio Hatoyama, secretary general of the main opposition party Minshuto (Democratic Party of Japan, met yesterday with Koichi Kato, former secretary general of the Liberal Democratic Party (LDP), and the Social Democratic Party's House of Representatives member Kiyomi Tsujimoto. Hatoyama was quoted as urging Kato to

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bolt the LDP, but Kato did not respond positively.

16) Resumption of US beef imports; Eradicating consumer distrust holds the key; Town meetings with government ends tomorrow

YOMIURI (Page 10) (Slightly abridged)
June 13, 2006

A series of town meetings for the government to exchange views with consumers on conditions for resuming US beef imports will end tomorrow with one in Tokyo as the last one of ten sessions held throughout the nation. While the predominant view heard from consumers included skepticism about the US inspection system and anxieties about the safety of US beef, beef retailers called for easing import guidelines. The government is expected to decide to resume beef trade before the end of June. Dissolving consumer distrust will likely hold the key in restoring their trust in US beef.

During the first town meeting held in Sendai on July 1, some participants voiced their skepticism about the US inspection system, noting, "We heard that about 70% of beef processing plants have problems." At the Naha meeting held on the 2nd, consumers voiced their deep-rooted distrust of US beef, saying, "Even if we are given explanations, we cannot trust them, as there is no track record to endorse them."

Regarding conditions for resuming US beef imports, too, including prior inspections of US beef processing plants by the Japanese side, a number of consumers called for a strict approach with a participant in the Niigata meeting saying, "Japan should tenaciously call for a safety system that includes blanket cattle testing" and a participant in the Sapporo meeting suggesting, "Japanese inspectors should be stationed on a permanent basis."

17) Council on Unified Reform of Fiscal and Economic Systems rejects 17 trillion yen request to reform fiscal revenues and expenditures; Upper House members oppose proposal with election close at hand next summer

MAINICHI (Page 5) (Excerpts)
June 13, 2006

The government and the ruling camp have started the work of setting the amount of a targeted spending cut for each spending

item, such as social security and local finances, by holding the second round of a working-level meeting of the Council on Unified Reform of Fiscal and Economic Systems (CURFES) yesterday. During the meeting, the representative of the government presented a plan to set the amount of funding needed to shift the balance between revenues and expenditures in the fiscal revenues and expenditures of the central and local governments, excluding borrowings and repayments, in fiscal 2011. The proposal was turned down, meeting strong opposition from Liberal Democratic Party (LDP) members of the Upper House. LDP Policy Research Council Chairman Hidenao Nakagawa plans to finalize the ruling parties' spending cut plan before the end of June, but he will likely be pressed to take a fresh approach to the discussion on the issue.

During the meeting State Minister for Economic and Fiscal Policy Hajime Yosano, who represented the government's side, presented

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the necessary amount of funding, but Upper House LDP Policy Deliberations Council Chairman Masatoshi Wakabayashi expressed his strong dissatisfaction with the proposal, noting, "We need to further vet such matters as an economic growth rate. I would like to take the proposal off for consideration."

Nakagawa, who is taking the initiative in the move to cut expenditures, and Yosano have worked out the necessary amount. As Deputy Chief Cabinet Secretary Nagase put it, it is impossible to pursue discussions on the issue without some base. The amount was, therefore, adopted as the starting point for discussion, but it has only highlighted the gap in views of in the LDP. The meeting ended before entering discussions on specifics, as it failed to show a menu for spending cuts.

SCHIEFFER